



Hamilton County

County Administrator

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Board of Commissioners

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Honorable Board of Commissioners:

The budget process provides us with the opportunity to take stock of the community and of Hamilton County government. Over this past year, through the Board's leadership, the challenges facing Hamilton County were brought into sharper focus. To meet these challenges, the County organization will need to examine how we deliver service to determine if the practices of the past will meet the needs of the future. We have also identified unique opportunities and will strive to maximize their impact.

During 2005, Hamilton County displayed bold leadership in advancing the long-stalled Banks riverfront development project. The County continues to work with the development team and other community partners as we seek to produce a master development agreement. Again this year, Hamilton County was recognized in various areas by international and national organizations for excellence in management and service delivery. While we are proud of these accomplishments, we must continually look for improvements in how we manage our resources to better serve the community.

This has also been a year of transition. A new Administrator, Patrick Thompson, will assume his duties on January 1, 2006. The County family looks forward to welcoming Mr. Thompson and to adding his considerable experience and leadership to our team. Despite the changes during the year, the 2006 budget process proceeded without delay and this budget will be ready for adoption before the end of the year.

In an era of cutbacks, the budget we present maintains service levels, is financially prudent, and attempts to provide capacity to meet emerging community challenges. The general fund budget of \$249.96 million is a \$777,000, 0.3% increase, from the adopted 2005 general fund budget of \$249.18 million. Once again, the recommended budget exceeds the Board's overall goal of keeping spending within the rate of inflation, most recently stated as 4.8% (Midwest Urban Consumer Price Index). Putting County spending restraint within the context of the last several years, the general fund budget is \$8.3 million (3.2%) less than the \$258.3 million budget adopted just two years ago. During the same period, the cumulative inflation rate has been in excess of 6%. The total budget is structurally balanced, maintaining existing service levels. The total

budget is \$1.2 billion (excluding entitlements paid directly to residents), \$24.2 million (2%) more than the 2005 adopted budget. The budget also includes \$1.2 billion of entitlements (mostly Medicaid-related) that are not appropriated and account for a decrease of \$10.7 million compared to 2005. The all funds budget increase (excluding entitlements) of \$24.2 million is due primarily to the \$19.4 million note due in late 2006 for public safety radios.

Highlights of the 2006 Recommended Budget

The following are highlights of the 2006 recommended budget:

- The budget is structurally balanced, with ongoing general fund revenues meeting ongoing general fund expenditures.
- Essential service levels remain unchanged.
- Special levy property tax will be reduced by approximately \$2.2 million in 2006. Approximately \$1 million will be reduced through a transfer from the general fund to the special levies, accounting for the estimated interest earnings attributable to levy funds. An additional \$1.2 million of property tax relief will be provided in the indigent care levy in 2006.
- The county continues to provide a property tax rollback to owner-occupied residential property owners. The 2006 rollback is calculated at \$20.1 million; \$155.1 million has been provided between 1997-2005, following voters' approval of a 0.5% sales tax for the construction of sports facilities and associated riverfront development.
- There are no staff layoffs. Across all funds, the budget includes a net reduction of 32 full time equivalent (FTE) positions. The general fund budget includes a net increase of 7 FTEs from the current year budget. The budget includes a 2% general wage increase for non-bargaining unit employees and provides for wage increases necessary to meet various collective bargaining agreements.
- General fund departmental budgets contain significant reductions in order to present a balanced budget. In addition to increased turnover assumptions, budget staff identified additional non-personnel cuts. As a result, many departments are funded in 2006 at levels less than the 2005 allocation. It is expected that prudent management will allow departments to operate effectively with these amounts.
- The general fund reserves are projected to be \$29 million at year-end 2005, including the unrestricted component of the Budget Stabilization fund. For 2006, general fund reserves are projected to be \$30 million, or 12.1% of the ongoing general fund budget expenditure level of \$248 million.

Board Direction

During your 2006 priority setting workshop, you identified *the* critical issue faced by the County: the loss of population and jobs. A workshop was conducted in October during which you identified your priorities and areas of focus to address this critical issue. They are:

1. Improve public safety.
2. Control county government spending and taxation.
3. Implement the Banks project.
4. Promote economic development.
5. Improve the management of county government.

As you read the budget document, you will note some objectives and measures are highlighted with an icon. These icons highlight objectives and measures that link directly to the Board's priorities. The icons are:



Improve public safety.



Control county government spending and taxation.



Implement the Banks project.



Promote economic development.



Improve the management of county government.

Ongoing Board Initiatives

Through the Board's leadership in 2005, the County began to take concrete actions to address these priorities. These Board initiatives will continue in 2006 and are supported in the recommended budget. They are:

- **Secret Shopper.** Beginning in the spring of 2005, County departments were "shopped" by internal and external secret shoppers who graded County employees on customer service and accuracy of information provided. This ongoing project identifies the high performing departments as well as identifying areas for improvement. The Secret Shopper program links to the Board's desire for continuous improvement of our customer service and overall management.
- **Project Gain.** The Board created this initiative in March to reward county employees for contributions to the efficient operation of County government above and beyond the normal scope of duties. This program enhances revenues and/or realizes a cost saving for the county, as well as sharing a part of the gain with employees when the goals are attained. The program rewards groups of employees, encourages teamwork, promotes an employee-employer partnership for improvements and improves employee morale while addressing your initiatives of controlling spending and better

management. To date, four departments have submitted projects for consideration with an estimated positive financial impact of over \$180,000.

- **Economic Development Task Force.** This volunteer group was appointed in January to examine ongoing community economic development efforts and to create a master economic development plan for Hamilton County that will lay out methods to create jobs and help reverse the county's population decline. The task force consists of community and business leaders from jurisdictions throughout the county, as well as representatives from organizations that play a critical role in the County's economic development efforts.
- **Health Care Review Commission.** This commission's charge is to perform a comprehensive review of the current system under which Hamilton County government funds health care services and make recommendations to the Board on ways to reduce the health care financing burden on taxpayers.
- **Competition and Efficiency Committee.** This volunteer committee is charged with identifying efficiencies throughout the County organization. The committee, which began its work in October, will identify and rank specific services that could be provided through different means, including by outside entities. The committee will also develop a process that provides for fair competition between public and nonpublic service providers.
- **County Report Card.** The County Report Card provides citizens with an objective review of community and county government progress. The report contains measures that are related to Board priorities and initiatives and provides measures related to the issue of job and population loss. This annual publication will be distributed to residents for the first time on December 11, 2005.
- **Web Site Revitalization.** In recent years, the County's website has been recognized as an outstanding governmental site. In order to continue to meet the changing needs of our users and better serve the Board's priorities, significant changes were and will be made to revitalize the site and provide the user with easier site navigation. Improving the ability of our residents to readily access and navigate this portal are key improvements in customer service. We will also identify additional services to put online, making them more accessible to citizens at any time from anywhere. As a part of our website revitalization, the County recently announced a new domain name, www.HamiltonCountyOhio.gov.

2006 Initiatives

County departments are undertaking a variety of projects in 2006 to better serve the county. Many of these initiatives are related to the Board's priorities and include:

- **Performance Budget Pilot.** Since 1993, the County has included objectives and performance measures in the annual budget. During these years, the focus was

placed on the relationship of the departmental measures to the departmental objectives. A project was initiated in 2004 to review and monitor the status and value of the measures included by departments. Measures were improved in some departments and progress was made. The next step in the evolution of the performance information is to identify a link between the departmental measures and the Board initiatives. At the Board's direction, a pilot project was launched in late 2005 for three departments to refine their measures to "better tell their performance story." Job and Family Services, Building Inspections, and Environmental Services were provided with additional training during the project. This process will be introduced to additional county departments in 2006. As you navigate the recommended budget document, the results of this pilot will be included in a separate section titled "Performance Initiatives."

- **Public Defender Enhancements.** The 2006 recommended budget includes support for a significant reorganization of the Public Defender's office. Through this reorganization, staff felony and appeals units will be created. Further streamlining of the management of the office, with a focus on quality service delivery, will also take place.
- **New Voting Equipment.** New voting machines will be put in service by the County's Board of Elections during 2006 as required by the Help America Vote Act (HAVA). The majority of the \$10.5 million purchase is funded by the state; however, a shortfall of up to \$2.2 million requires local funding during 2006. This shortfall, which amounts to an unfunded mandate, is included in the recommended capital program. The new system must be in place for the May 2006 primary election.

Ongoing Budget Issues

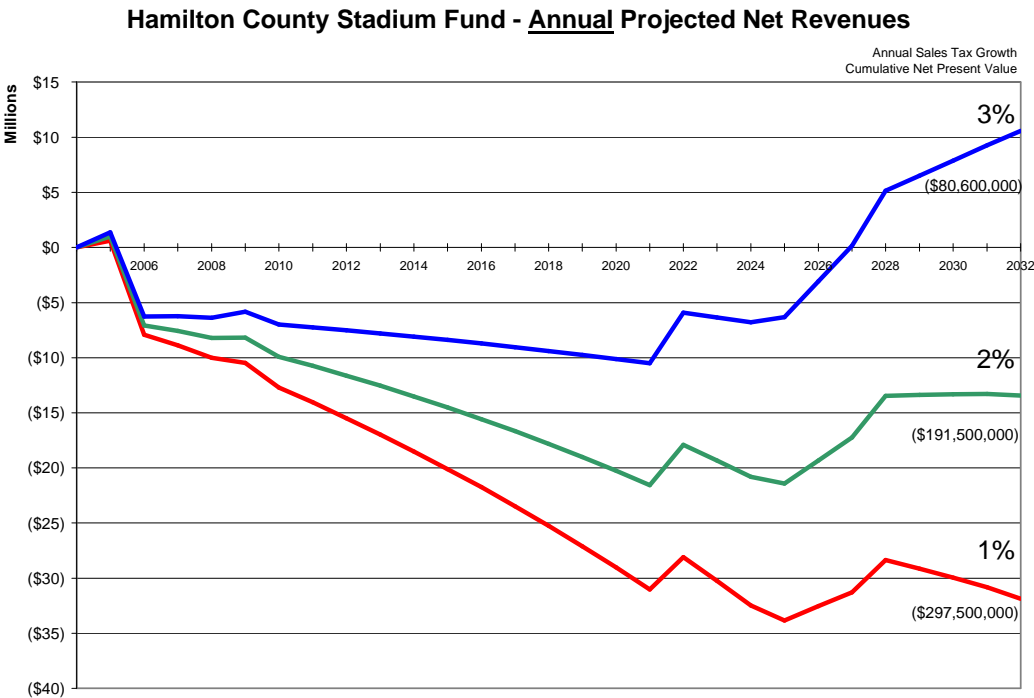
Certain long term issues will need to be addressed beyond the current budget process and will have an impact on future budget planning efforts.

- **Corrections Master Plan.** The County is currently undergoing an assessment of the corrections system to address overcrowding issues within its four facilities, as well as concerns about the continued viability of the Queensgate jail. The master plan will not only address overall inmate population growth, but also the need for increased housing for women, and for inmates with medical and mental health issues. It will likely recommend the consolidation of the county's three oldest facilities (each 70-100 years old) into one more efficient facility. A project of this scope, especially with today's escalating construction prices, will likely have a substantial impact on future budget years.
- **The Banks Project.** As mentioned previously, Hamilton County has taken significant steps over the past year to advance The Banks riverfront development project. The County is currently in the midst of an exclusive negotiating period with the designated master developer, Banks Development Company (a

partnership between Corporex and Vandercar Holdings). A key component of the project is the financing of the public infrastructure, totaling an estimated \$75 million. The County will continue to work with other funding partners including the City of Cincinnati, Ohio Department of Transportation (ODOT), Ohio-Kentucky-Indiana Regional Council of Governments (OKI), and Federal Transit Administration (FTA) to put an appropriate financial plan in place. The County’s goal is to create a prudent financing plan that advances this important project without placing a greater burden on taxpayers now or in the future.

- **Stadium-Riverfront funding.** While the stadium-riverfront financing plan has benefited from a modest rebound in sales tax receipts (5% growth in 2004) and the insurance settlement related to design issues, the stadium-riverfront (sales tax) fund continues to face challenges. These challenges include projected near-term deficits and continued uncertainty regarding state capital funding for the completed riverfront projects.

Riverfront operating costs will be essentially unchanged from 2005 to 2006, with the exceptions of increased utility costs, scheduled changes in debt service, and the scheduled commencement of annual payments in lieu of taxes to the Cincinnati Public Schools for Great American Ball Park. The chart below depicts the annual deficits projected within the stadium sales tax fund under 1%, 2% and 3% sales tax growth assumptions.



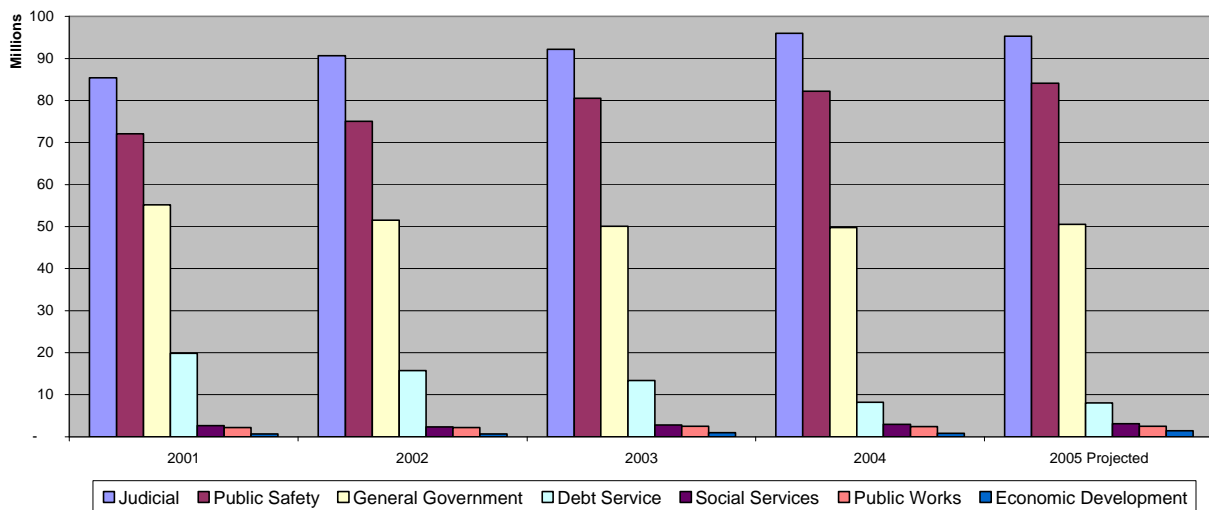
- **Organizational streamlining.** In order to respond to the County’s financial challenges, departments and agencies will need to explore opportunities to consolidate, streamline, or change the method of service delivery. As a part of the

Board's 2006 budget goals, the administration was charged with examining specific opportunities: transition to greater use of technology in court reporting services; possible consolidation of public works and facilities functions with other related service areas; possible consolidation between warrant services currently provided by both the Sheriff and Clerk of Courts; and efficiencies within various special levies as identified by the Tax Levy Review Committee. Beyond these efforts, other opportunities will need to be explored. While the Competition and Efficiency Committee is charged with identifying such opportunities, employees and staff teams are encouraged to identify opportunities to realize greater efficiencies. Project Gain and the new employee suggestion program are designed to encourage and capture these new ideas.

General Fund

General Fund Overview and Issues

The general fund faces significant challenges as we continue to see stagnant or declining ongoing revenue in many areas. Nearly 75% of general fund expenditures are in the areas of public safety and the court system. Expenditures in these categories have grown steadily over the past five years, while other categories have remained constant or declined. As we seek to balance budgets now and in the future, we will need to work with elected leaders in the judicial and public safety areas to identify ways to control increasing costs.

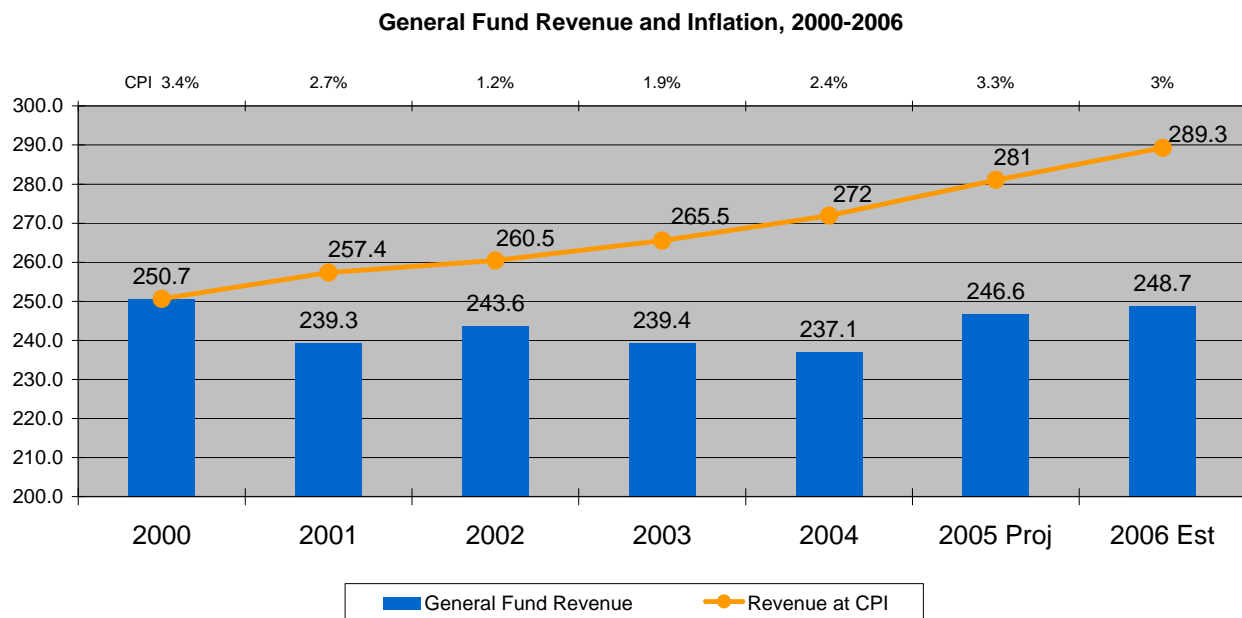


The budget required difficult choices to bring the overall budget into line with this reality and the Board's fiscal goals. Additional cuts have been identified by budget staff and included in the recommended budget. While departments continue to have the ability to shift resources within each appropriation category (personnel, capital and other), they will need to manage to the bottom line of their budgets.

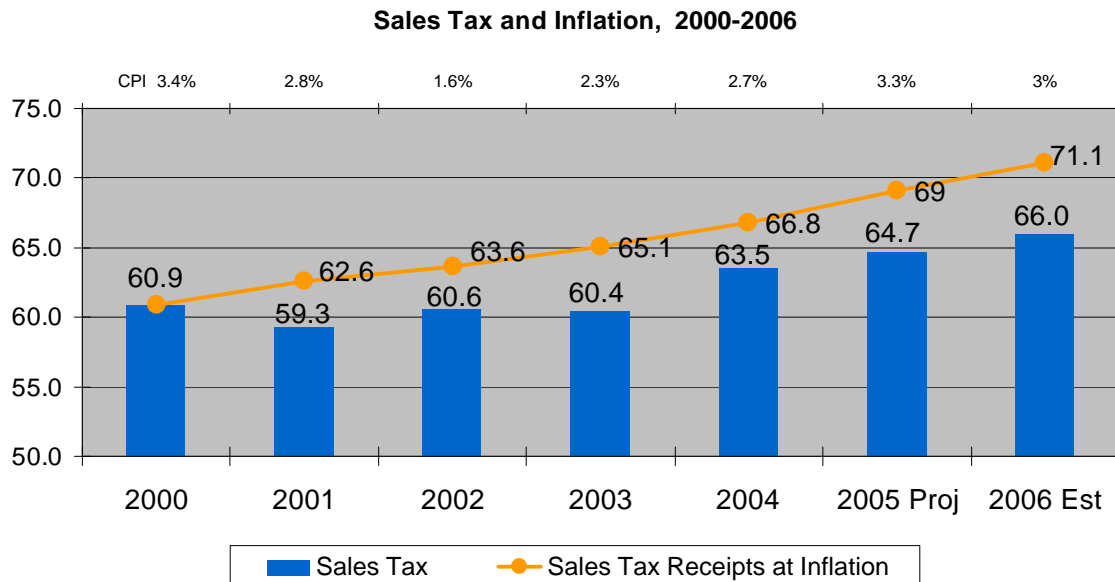
General Fund Revenues

General fund resources for 2006 are projected at \$251.3 million, a decrease of \$.6 million (0.2%) compared to the 2005 budget. These resources consist of \$248.7 million of budgeted 2006 revenue, \$1.4 million residual funds from completed capital projects, and \$1.2 million from the three-year (ongoing) inmate phone contract that was received in 2005. Estimated revenues for 2005 are projected to be \$246.6 compared to the budget of \$251.9, a shortfall of \$5.3 million. This revenue shortfall is actually understated as \$3 million of the revenue was realized from the sale of the 630 Main building, a transaction previously expected in 2004. This results in a real shortfall of over \$8 million.

Overall, general fund revenue has only increased 3.9% from 2001 through the 2006 budget. This growth has not kept pace with inflation (Midwest urban CPI) during this same period of 12.4%. Similarly, total general fund expenditures have grown less than inflation, at 4.6% (\$237.9 million in 2001 to \$248.9 million in the 2006 budget). The chart below depicts general fund revenue compared to inflation for the period 2000 through 2006.



Sales Tax. The sales tax continues to be the single largest general fund revenue source, accounting for over 27% of total revenue. General fund sales tax is projected to be \$65.9 million, a growth of 2% over the 2005 estimate. Sales tax growth in 2005 is projected to be 1.5%. Since 2000, sales tax has only surpassed 3% annual growth once (2004) and has a 5-year average annual growth of 1.3%. As depicted below, sales tax is far below inflationary growth for the 2000 through 2006 period.



Property Tax. In 2006, the general fund property tax revenue remains stable and is projected to be \$40.8 million, 16% of total revenue. Hamilton County has maintained the same general fund “inside” millage rate (2.26 mills) since 1932. The 2006 budget reflects the impact of the sexennial reappraisal. This process is an in-person appraisal of all properties in the county. The impact of the reappraisal is unknown at this time. An estimate of an additional \$500,000 is included as a placeholder. The Auditor expects to have final numbers in early December.

Loss of Personal Property Tax. The state budget bill (HB66) phases out the Tangible Personal Property Tax on general businesses, including manufacturer and merchant inventory, manufacturing machinery and equipment, and furniture and fixtures. This phase-out will occur over a four-year period, with the last tax due for tax year 2008. The State, however, plans to make up for the loss for years 2006-2010. There is an offset provided by the state in the 10K Reimbursement revenue category. This offset, however, is based on 2004 personal property valuation and will likely not completely offset the loss of revenues. Commercial/industrial components will no longer receive the 10% rollback and this is being offset in general property tax. In summary, revenues are projected to be down, as a result of the phase-out of Personal Property taxes.

Communication Center - Telecommunications. The Telecommunication Division of the Communication Center received \$3.6 million for the inmate phone contract. The revenue from this three-year contract was received as one lump sum in 2005. These funds are being allocated to each year and being treated as an ongoing revenue.

State Local Government Fund Revenue. The state's Local Government Fund, a revenue sharing mechanism comprised of sales and use tax, state personal income tax, public utilities excise tax, and corporate franchise tax is distributed to each county and then allocated among the county, cities, villages, townships, and library districts within the county. In Hamilton County funding is based on a state-authorized alternate method of distribution. Based on current information, Local Government Fund revenue is projected to be \$25.0 million, a slight decrease from 2005. During early 2005, the state threatened to drastically reduce or eliminate this funding. Due to an intense campaign by local governments throughout Ohio, however, flat funding was restored to the state budget. The "freeze" in local government revenue has been in place for over six years. As a result, counties have not realized any benefit from the underlying tax sources despite increased economic activity.

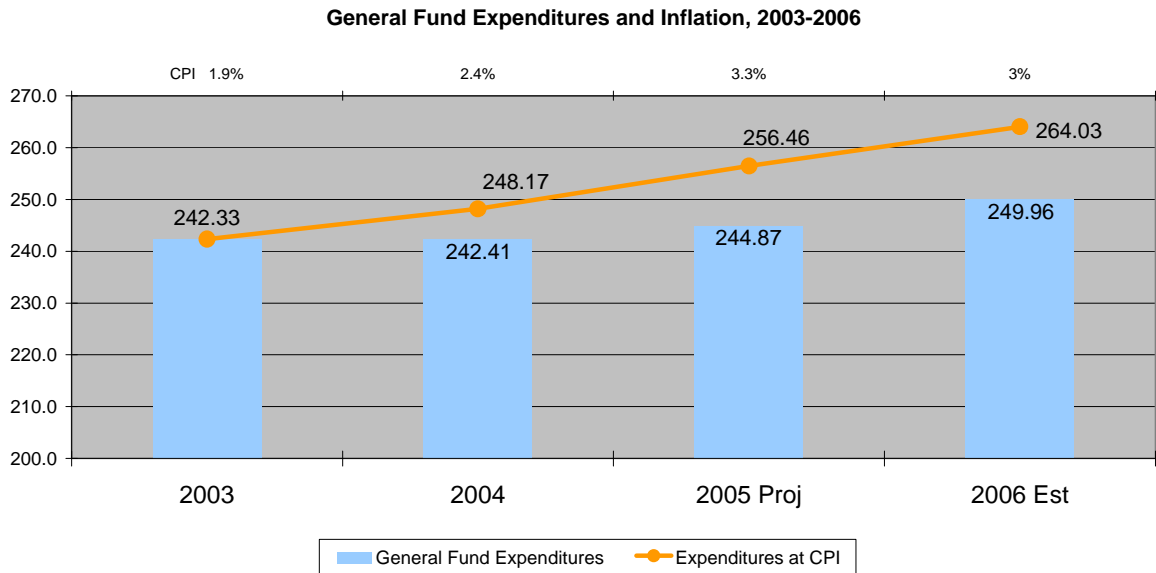
Interest Earnings. Due to low interest rates and reduced funds available for investment, interest earnings have been dramatically lower in recent years. Interest earnings are rebounding slightly for 2006 and are projected to be \$16.6 million, an increase of \$1.1 million compared to the 2005 estimate. The net amount of interest earnings to the general fund is decreased again in 2006 by a Board-initiated transfer of \$970,000 to the Children's Services levy. This transfer represents the estimated amount of interest earned by the various special levies.

Recorder's Fees. In recent years, low interest rates have generated a significant rise in Recorder's Office revenue, stemming from real estate transactions such as home sales and refinancings. Revenue from Recorder's fees is now declining as the number of mortgage refinancings has slowed. Projections for 2006 are \$5.7 million, or 2.3% of the general fund. This is a decrease of approximately \$4 million from the peak in 2003.

Public Defender Reimbursement. While state law "requires" state funding of 50% of public defender costs, the 2006 budget was built on the assumption that the state would only reimburse at 27% of county spending. If the state provided the full amount of reimbursement (50%), consistent with statute, we would receive approximately \$6.4 million – an annual difference of \$3 million.

General Fund Expenditures

The total general fund expenditures of \$249.96 million in the 2006 budget are \$777,000 greater than the adopted 2005 budget. Ongoing expenditures (total budget less one-time expenditures) for 2006 are projected to be \$248 million, a 1.3% increase compared to \$244.6 million for 2005. The cost of employee wages and benefits continues to be the largest expenditure category, accounting for approximately 69% of expenditures.



As the graph above displays, the average annual expenditure growth since 2003 has been 1% compared to the average annual inflation rate of 2.9%.

The initial departmental requests for general fund expenditures of \$301.9 million exceeded estimated resources by \$63.4 million. All of the county staff, both elected and appointed, worked long and hard in cooperation with this office to evaluate revenue projections, to make necessary expenditure cuts, and to put in place controls that resulted in the presentation of a balanced budget. The following are highlights within general fund expenditures:

Administrative Services. Again in 2006, the budget does not include a base contingency within the general fund. There continue to be items in contingency that are earmarked for specific purposes. If emergencies arise, or new programs/spending are desired during the year, reserves will need to be drawn down or other offsets within the budget will need to be identified.

Board of Elections. The Board of Elections will be required to install new voting machines for use in the May 2006 primary. This conversion will result in additional costs for the portion of the system not covered by the state, as well as changes in practices. Some of the changes will result in additional costs, including higher quality standards for printed absentee ballots, technicians for Election Day, and polling place costs due to additional services required for computer operation.

Common Pleas Court. The increase in the Court of Common Pleas is a result of a centralization of technology contract oversight and payment for the court's information system, CMSNet. This budgetary consolidation has moved funds that were paid out of multiple other courts/agencies into one central location within the Court of Common Pleas. Monitoring and administration of the program will now be handled centrally.

County Facilities. The Facilities budget includes a 70% increase (nearly \$1 million) in natural gas heating costs in 2006, consistent with market trends. The department has also added two new FTEs: a safety trainer (which reduces spending for contracted training services mandated by OSHA) and a computer-aided facilities management (CAFM) systems manager (which reduces cost for architectural services by overseeing the CAFM systems in-house). The recommended budget includes \$2.3 million for county capital maintenance projects. This amount may vary each year as a result of departmental requests, cost estimates and priority of needed repairs.

Municipal Court. In late 2005, Municipal Court eliminated a contract for interpreters by adding 4 FTEs to their in-house staff that created savings overall. The need for foreign language interpreters has increased significantly in the past two years and using in-house interpreters not only is cost effective but also allows for a better response time when needed by the Court.

Prosecutor. During 2005, Ohio Treasurer Joe Deters returned to the County as Prosecutor. A number of changes have occurred in the office as a result of this change in leadership. Late in 2005, two attorneys were assigned to JFS to assist in the audit of that agency.

Public Defender. Expenditures on public defender services have grown dramatically in recent years with a 40% increase in the past four years. This growth coupled with a reduction in the reimbursement from the State results in a significant drain on the general fund. As described previously, the proposed budget includes a series of initiatives to organize the office, improve services, and control costs over the long term. The net impact is eight new FTEs consisting of the new felony unit (four attorneys), a senior appeals attorney, and three investigators.

Sheriff. The Sheriff's budget includes substantial increases for fuel expenditures. The Sheriff asked for supplemental or transfer appropriations to cover additional fuel costs in each of the last two years. The Sheriff's budget includes five new positions: four deputies to provide security services at the William Howard Taft Law Center and one additional deputy for Symmes Township (funded by the township). The COPSMAST mobile data computers (\$270,000) complete the implementation of the community-oriented policing initiative. All of the Sheriff's unions are in negotiations in 2006.

General Fund Position and Wage Adjustments. The 2006 general fund supports 3,082 FTEs, a net increase of seven FTEs compared to the 2005 positions. Additional FTEs in the general fund are included only if they are self supporting by generating

offsetting revenue or through the elimination of other costs. Administrative Services includes an increase in personnel costs. These are not new positions, but are the result of the re-allocation of the cost of purchasing staff from JFS to the general fund. A portion of costs associated with these positions will be captured through the indirect cost plan. The proposed budget includes a general wage increase of 2% for employees at this point. The budget also includes wage increases necessary to meet various collective bargaining agreements.

The budget includes a 5% turnover rate that was applied to all general fund departments, with the exception of those departments with fewer than 20 positions. No turnover rate was applied to those departments. A lower turnover rate (2.5%) is applied to some 24-hour operations. While this is an increase from the 4% used in the 2005 budget, actual turnover is consistent with this assumption. The three-year average is over 5%.

Restricted Funds and Other Issues

Restricted Fund Positions Summary. Restricted funds support 3,220 FTEs, a net decrease of 39 FTEs from 2005 positions. Those departments reducing restricted fund positions in the recommended budget are ADAS, MRDD, Community Mental Health, Environmental Services, Family and Children First Council, Municipal Court, Probation, Prosecutor, Public Works, and TASC.

Communication Center. Since 2001, the Board has acted to maintain the rate for system users at \$14 per detail (emergency dispatch event). As a result of this rate freeze, an additional general fund subsidy of Communication Center operations has occurred. The 2006 budget maintains the \$14 per detail rate, which results in a \$1.2 million general fund subsidy to Communication Center operations.

Debt Service. The budget contains funding for payment on outstanding debt. Additionally, several new borrowings are planned for 2006. They include three recently completed or in-progress projects: Communication Center Upgrade, Phase 1 Emergency Equipment; Communication Center Phase 2 HVAC; and the Regional Emergency Management Agency at Radcliff. The budget anticipates a late fall issuance.

Late in 2006, the Board will need to make a policy decision about payment of the radio note. In 2001, \$19.4 million was set aside to pay the note when it came due. The Board could retire the note at that time or could finance some or all of the \$19.4 million through a long-term bond issue.

Dog and Kennel Subsidy. The general fund continues to subsidize the Dog and Kennel fund. In 2003 the subsidy was \$70,000; the subsidy in 2006 is budgeted at \$325,000. The contract with the SPCA expired at the end of 2005 and work continues on a renewal agreement. As revenue has remained steady or increased slightly it is likely that enforcement enhances the sale of dog licenses but there is no direct relationship between revenue from fines and dog license sales.

Job and Family Services (JFS). The Department of Job and Family Services continues to await completion of State Auditor and Ohio Department of Job and Family Services audits. The budget makes no appropriation for settlement of any audit findings, but cash balances will be available should appropriations be necessary. The budget contains a significant customer service initiative, as JFS plans to implement a telephone recording system; this system will allow for better tracking of client needs while at the same time insuring that JFS employees provide appropriate service. As a means of helping to balance the Health and Hospitalization levy, the Children with Medical Handicaps Program has been moved to the Children's Services levy. The current levy period expires in 2006.

Metropolitan Sewer District (MSD). The Board previously adopted a three-year rate plan for MSD. Under this plan, rate increases of 4.0% and 8.6% are to be implemented in 2006 and 2007 respectively. The majority of the rate increase is driven by the district's capital program required under the consent decree entered into with the U.S. Environmental Protection Agency (USEPA) in 2004. MSD has maintained the rate commitment made last year despite dramatic increases in utility costs, \$3.0 million over the 2005 budget. Also, fringe benefit costs rose by more than \$1.3M compared to the 2005 budget. Rates planned for future years are 8.6% for 2007 and 8.0% for 2008. The rate schedule will be reviewed annually, as a part of the budget process, and can be adjusted each year as conditions merit. This multiyear approach will help provide rate stability to the community and MSD.

Storm Water Utility. Under the leadership of the County Engineer, Hamilton County has moved to create a storm water utility serving 44 of the county's 49 jurisdictions. The utility was formed to assist communities in reaching USEPA mandates related to storm water quality. Individual communities are able to select services they desire, as well as the method of payment for the services. At this time, 42 of the 44 participating jurisdictions have selected services and a method of payment.

Review of Special Purpose Levies

In 2006, the Children's Services Levy and the Health and Hospitalization Levy for University Hospital and Children's Hospital Medical Center expire. Based on the levy timetable, work will begin in late 2005 to prepare for these levy renewals. In February 2005, the Board created the Healthcare Review Commission to review the county's role in the funding and provision of various types of healthcare. The work of this commission will likely include reviews of the multiple county levies providing care to citizens and could affect the structure of future levies.

Children's Services. The Department of Job and Family Services (JFS) continues to await finalization of State Auditor and State Job and Family Services audits. The budget makes no appropriation for settlement of any audit findings, but a levy cash balance will be available should an appropriation be necessary. As a means of helping to balance the Health and Hospitalization levy, the Children with Medical Handicaps Program has been moved to the Children's Services levy. The current levy period expires in 2006, and JFS is currently formulating plans for the levy renewal.

Cincinnati Museum Center Levy. In March 2004, voters approved a new five-year 0.20 mill levy for maintenance, operation and repair of the Cincinnati Union Terminal Building, occupied by the Cincinnati Museum Center. The Board approved a master agreement with the Cincinnati Museum Center, Inc. on July 28, 2005, which provides guidelines for the awarding of capital projects and operating. Awards are anticipated by the end of 2005.

Community Mental Health Service Levy. The 2006 anticipated expenditures for the Mental Health Board levy are less than 2005 primarily as a result of reallocating expense to the Mental Health Board's special revenue fund. This reallocation of expense complies with the County's policy of using the levy fund as the payor of last resort.

Mental Retardation and Developmental Disabilities Levy. The levy for the Board of Mental Retardation and Developmental Disabilities (MRDD) expired at the end 2004. On November 2, 2004, voters approved a new 3.62 mills MRDD levy. The 2006 anticipated expenditures for the MRDD levy are consistent with the levy plan.

Health and Hospitalization Levy - University Hospital and Children's Hospital Medical Center. The 2006 tax levy revenue estimate is less than the originally planned 2006 revenue. Due to the reduction in anticipated revenue and increase in costs for medical services for inmates, expenses of the Children with Medical Handicaps Program is being moved back to the Children's Services Levy in 2006.

Health and Hospitalization Levy - Drake Hospital. On November 2, 2004, voters passed a .84 mills replacement levy. The new levy will generate approximately \$16 million annually over the next five years, expiring in 2009. The Board of County Commissioners must still determine the annual distribution of the funds between Drake Center, Inc. and county entities.

Senior Services Levy. Expenditures for the Senior Services tax levy are approximately \$1.0 million more than the levy plan for the Council on Aging contract in order to continue to serve an increased number of clients. The original plan estimated the number of clients at 5,995 in 2006. The proposed funding for the Council on Aging will serve an estimated 6,339 clients.

The Capital Improvement Plan

The Capital Improvement Plan (CIP) is transmitted along with the budget document. The Metropolitan Sewer District's portion of the county CIP is also included. The non-MSD portion of the CIP includes 18 projects in three different categories: approved, recommended, and potential. The Board appropriates funds for capital projects on a project-by-project basis, thus no appropriation is included in this budget.

Five-Year Plan

The budget document includes a five-year general fund spending and revenue plan for the 2006-2010 period. This planning document, developed in conjunction with departments,

provides an overview of existing and future service needs matched against revenue projections. It includes an inflationary assumption of 2.95%.

Revenue Options

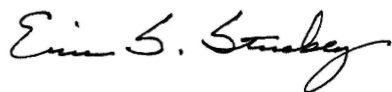
In preparing the 2006 budget, various options were explored to bring additional resources into the general fund. The following is a list of some of the ongoing options the Board might consider.

- **Auto Title Fund.** During the development of the convention center expansion plan in 2003, approximately \$2.1 million was identified within the Auto Title fund. These funds are still available and could be used for one-time expenditures. The Board could work with the Clerk of Courts to access these funds. The projected fund balance in the Auto Title fund is now over \$3.5 million.
- **Further analyze all fees to determine that they are current.** While fee review is always part of the budget process, additional review of all fees could identify fees that have not been adjusted over several years and, as a result, may no longer correlate with the cost of the services provided. For example, the dog license fees have not been adjusted since 2001. Without fee adjustment or other initiatives to increase revenue, a general fund subsidy of \$325,000 will be required to keep the Dog and Kennel fund positive.
- **Real Estate Transfer Tax.** The local permissive real estate transfer tax could be increased from 2.0 mills to 3.0 mills, the full amount permitted under state law. An additional 1.0 mill of real estate transfer tax is estimated to produce \$4.6 million per year. Recently, the County Commissioners Association of Ohio (CCAO) reported that 44 of Ohio's 88 counties have reached the 3.0 mill level.

Conclusion

I am proud to present this budget document to you. Many staff throughout the county contributed countless hours toward the completion of the budget. Their commitment to public service is evident through the hard work they put into the budget process and into the services they provide to citizens every day. I also wish to extend our special appreciation to the budget staff: Lisa Anderson, Chris Berger, John Bruggen, Jim Cundiff, Lori Hallal, Paula Knecht, Al Landis, Karen McFarland, Lois Reynolds, and Rob Wagner. Their dedication and expertise made this budget document possible. A special thanks to the Commissioners and other elected officials for their leadership, stewardship, and support through which Hamilton County will meet future challenges.

Respectfully submitted,



Eric S. Stuckey
Interim County Administrator

2006 Budget Goals

- 1) The primary challenge confronting the county is its loss of jobs and population; items that help address these challenges shall be given funding priority.**

The 2006 budget continues to bring sharper focus on the county's efforts and ability to affect the loss of population and jobs. This will be an ongoing focus in the 2006 work plan and beyond.

- 2) The Board intends to continue to improve customer service in 2006. As part of the 2006 budget process, each department shall submit a plan to improve customer service, including measurable performance indicators. The Board will continue to make improvements in 2006 including making more government services available online and development of a countywide customer service hotline and tracking system.**

Customer service plans will be submitted by departments during the first quarter of 2006 along with associated measures. These measures will be developed as part of the performance budgeting initiative.

In October, the county hired Weidner, Inc. to provide updated training in performance measures. Three departments, Job and Family Services (JFS), Building Inspections, and Environmental Services, served as the pilot for the 2006 budget. The results of the pilot group are included in the budget document. Should the Board direct, training will be provided, during 2006, for other county departments/agencies to expand this approach.

Online services, development of a countywide service hotline and tracking system are ongoing efforts, most recently seen in launch of the county's revitalized website. Departments under the Board will submit a ranked list of possible online service enhancements in early December 2005.

- 3) The 2006 budget will support the creation of additional jail spaces to relieve overcrowding.**

The needs assessment for the jail was initiated in mid-2005. During 2006, it is anticipated that the Board will review the study, agree on an action plan, and evaluate funding alternatives. The 2006 budget does not contain funding related to additional jail spaces.

- 4) Recognizing the severe financial constraints facing the county, 2006 budgeted general fund spending will increase by no more than 1% over 2005 budgeted levels.**

The proposed budget of \$249.96 million represents an increase of 0.3%.

- 5) The 2006 budget process will carry out federal and state-mandated county responsibilities in the most effective way. Hamilton County will continue to aggressively pursue alternative funding sources for these mandates.**

Funding is provided to carry out federal and state-mandated county responsibilities effectively. We will continue to pursue alternate funding being mindful of this goal.

- 6) The Board of County Commissioners shall keep property taxation under the rate of inflation.**

Voted levy taxation (total revenue) shall not exceed the rate of inflation for each such levy since it was last enacted, unless such increase is offset by a dollar-for-dollar reduction in another levy on the ballot in the same year, or utilizes savings achieved in prior years. In calculating this number, the initial year of the levy's previous term shall be used as a base year; and inflation shall be defined as the Midwest Urban Inflation Rate Index published by the Bureau of Labor Statistics.

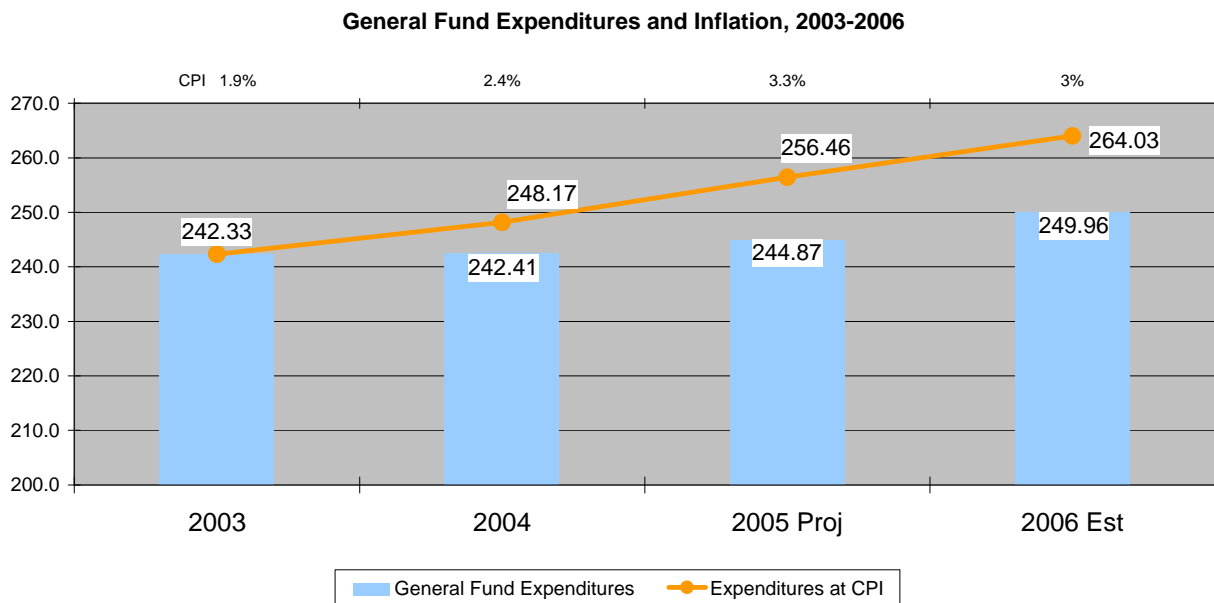
Total revenues for property taxation dedicated to the county general fund (2.26 mills) will not rise above the rate of inflation. Inflation rate is defined as the most recent 12-month Midwest Urban Inflation Rate Index published by the Bureau of Labor Statistics.

The recommended 2006 budget does not include any increase in property tax rates and includes a reduction of \$2.2 million dollars in the special levies (\$1 million reduction in Children's Services and \$1.2 million in the indigent care levy). In order to implement the Board's directive to keep general fund property taxation under the rate of inflation, the administration will review the general fund revenue estimates based on the final countywide property reappraisal values. If the general fund revenue estimate, due to the final reappraisal values, is estimated to be more than the estimated revenue based on the rate of inflation, a commissioner-controlled voted tax levy such as the Children's Services levy will be adjusted downward to offset the increased tax revenue.

While not specifically included in the 2006 budget, the Tax Levy Review Committee (TLRC) will review and size the Health and Hospitalization levy, including University and Children's Hospital (Indigent Care), and the Children's Services levy in 2006. During that process, the TLRC will make recommendations to the BOCC to ensure that any changes in these two levies, for the next levy periods, will not exceed the rate of inflation.

- 7) **The 2006 budget will hold the growth of locally set fees (excluding MSD rate increases driven by the Federal Global Consent Decree) under the rate of inflation. The county shall use 2003 as a base year, and use the most recent 12-month Bureau of Labor Statistics' Midwest Urban inflation rate.**

There are no increases in locally set fees within the 2006 budget with the exception of certain Building Inspection and MSD fees that are tied, by policy, to a specific construction cost index, the Engineering News Record index. As depicted in the graph below, general fund spending has been held well below the inflation rate since the Board identified base year of 2003.



- 8) **The budget will provide a vehicle for pay raises for county employees, but at the same time will accomplish a net reduction in the number of general fund FTE.**

The recommended 2006 budget includes a 2% general pay increase for non-bargaining unit employees and provides for wage increases necessary to meet various collective bargaining agreements.

The recommended 2006 budget includes a net reduction of 32 FTEs across all funds. The general fund includes a net increase of seven positions. The areas of increase are either offset by revenue received, or expenditure reductions, or are the result of Board direction. The increases include:

- Administrative Services where five employees previously included in the JFS budget have been shifted into the general fund. The general fund will recapture a portion of the costs associated with these positions through the indirect cost plan.
- Public Defender where eight new positions have been added to provide for the creation of a felony unit (four FTEs), an appellate attorney (one FTE), and additional

investigators (three FTEs). In addition to the creation of these units, the attorneys will mentor other attorneys in the office as well as oversee assigned counsel. Some of this cost will be offset by a decreased use of outside counsel.

- Municipal Court where five FTEs were added to replace an outside contract for language interpretation services contract. In adding these positions, the courts will receive more responsive service at a net reduction in cost.
- County Facilities where two positions were funded by the reduction of contracted expenses for architectural services and OSHA-mandated training.
- Sheriff where five FTEs, including a township patrol position that is fully reimbursed by Symmes Township, and four deputies to provide security for the Taft Center were added.

The increases described above are partially offset by reductions in other areas. Those departments reducing total general fund positions include the Auditor, Board of Elections, Coroner, Juvenile Court, Public Works and Treasurer.

9) To the fullest extent possible the budget will implement consolidations and continued savings including to the extent justified by budget analysis:

- a) Automation of the court reporter function for newly-appointed and newly-elected judges;**
- b) Consolidation of the Public Works and Facilities Management or elected functions;**
- c) Consolidation of warrant service operations between the Sheriff and Clerk of Courts offices;**
- d) Implementation of recommendations made by the Tax Levy Review Committee (TLRC) on levy programs and services that should be established, programs and services that should be eliminated and efficiencies that can be attained.**

These options will be studied during 2006 to determine the feasibility, net budgetary impact, and affect on service delivery. The TLRC will provide recommendations regarding the most efficient services to county residents funded by voted levies. These recommendations will be analyzed and the impacts identified prior to implementation.

10) The 2006 budget will implement the Board's desire to move toward a performance based budgeting system with meaningful performance measures for each county department.

As mentioned above, the pilot program to update performance measures is included in the 2006 budget. At the Board's direction, the program will be introduced to additional departments and periodic progress reports by the pilot departments will be submitted.

11) The budget will leave intact the 75% cut in elected official travel instituted in last year's budget, will continue the cuts in other administrative items and will make further cuts in other employee travel and non-essential items.

Elected official travel remains at the 2005 level. Overall, the general fund travel budget is reduced by 40% compared to the 2005 budget.

- 12) The 2006 budget will expand and improve the gainsharing program to encourage savings during the budget year by rewarding employees who save taxpayer money in 2006.**

The budget contains ongoing support and funding for the gainsharing program. To date, four departments have participated with an estimated annual savings of over \$180,000 per year. Departments and staff teams will be encouraged to continue to identify opportunities to save money and improve service.

- 13) The 2006 budget shall provide support services for the four Board-created, citizen-led task forces:**

- **Economic Development Task Force**
- **Health Care Review Commission**
- **Competition and Efficiency Committee**
- **Tax Levy Review Committee**

The County Administrator's Office, Administrative Services, and Regional Planning will provide staff support services for these initiatives. There is also funding set aside to support outside reviews and consulting should they be needed.

- 14) The 2006 budget shall further expand leveraged buying for all departments under the Board and departments under elected officials.**

Purchasing continues to work with departments on leveraged purchasing. Ongoing training will take place in 2006. Over \$7 million of estimated savings were realized in 2005.

- 15) The 2006 budget shall provide sufficient resources for the development and distribution of a 2006 countywide report card to citizens.**

Funding for the 2006 report card is included in the County Administrator's budget.

- 16) The county will work to encourage consolidation of services with other local governments throughout Hamilton County, including, but not limited to:**

- a) Consolidation of the Metropolitan Sewer District**
- b) Creation of a countywide one-stop for development opportunities**

The recommended 2006 budget includes funding flexibility to support these initiatives. Specifically, funding for one-stop development and building permit process improvements is available within the County Administrator's budget. Staff resources from Regional Planning and Building Inspections have also been identified to assist in this evaluation. Regarding the Metropolitan Sewer District consolidation, it is a policy level issue to be discussed with the City of Cincinnati. Budgetary implications are uncertain at this time.

- 17) Through the 2006 budget, the county will continue to increase the undedicated general fund reserves with a goal of ultimately reaching a reserve amount of 20% of the general fund.**

The recommended 2006 budget includes \$1 million to be added to the general fund reserves. The projected ending fund balance for the general fund reserves is \$30 million or 12.1% of the ongoing general fund budget expenditure level of \$248 million.

- 18) The 2006 budget will be based on current tax revenue adjusted to reflect growth and/or reductions anticipated in 2006.**

The 2006 budget is based on current tax revenues adjusted to reflect growth or reductions anticipated in 2006.

- 19) All special funds shall, to the extent possible, reimburse the general fund for both direct and indirect costs.**

As appropriate and allowable, restricted funds reimburse the general fund for direct costs; indirect costs are also anticipated in 2006 from restricted funds.

- 20) The 2006 budget will be utilized to coordinate special levies to ensure there is no duplication of services and that the respective levies take responsibility for all obligations.**

As in prior years, the budget process included a review of the services provided from the special levies. The 2006 recommended budget includes a shift of the funding of the state-mandated Children with Medical Handicaps program (estimated annual cost of \$1.86 million) from the Indigent Care levy to the Children's Services levy. The program originally was included in the Children's Service levy four years ago, but was shifted out to help compensate for the loss of state-matching funds in children's services. This move assists the Indigent Care levy in balancing in its final year.

- 21) The level of ongoing general fund revenue shall meet or exceed the level of ongoing expenditures. New or expanded services will be separated from existing ones.**

On-going revenues meet on-going expenditures.

- 22) The 2006 budget will maximize federal and state revenues through a detailed analysis to ensure that all general fund expenditures are being appropriately identified and charged to the correct federal/state program.**

The recommended 2006 budget reflects continued reductions in state funding to the general fund and restricted funds, such as the Department of Job and Family Services. The 2006 budget continues to maximize nonlocal revenue and to provide enhanced services, to the degree possible, given limited state and federal funding.